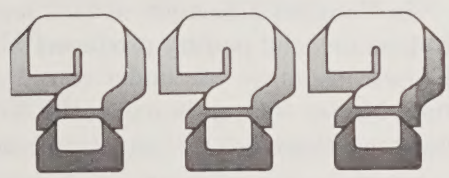
AOD-200

AGRICULTURAL OUTLOOK DIGEST

Approved by the Outlook and Situation Board, June 26, 1974

HOW MUCH GRAIN WILL WE GET?



The outcome of our grain crops is unusually critical this year. Stocks are low and need rebuilding, export demands are expected to be about as large as last year, and livestock producers need lower priced grain to turn a profit again. But prolonged rain in May and June raised speculation that both acreage and yields will turn out below early projections, and raised recent cash and futures prices as well.

On July 11, USDA publishes its official survey results spelling out how many acres of major crops were actually seeded during the spring, as well as estimates of small grain production. Official production estimates for corn, grain sorghum, and soybeans are made in August. But to answer immediate questions, a preliminary assessment of crop production was published in late June, based on scattered observations, crop-weather reports, and judgement, based on similar years in the past.

Corn

That assessment found corn production hopes most seriously dampened by the rainy spell; projected production was lowered from 6.7 billion bushels to 6.4 billion. Corn planting was seriously delayed this spring in the States where it hurt most. Some acreage had to be replanted and some was held over for planting to soybeans. Yields are no longer expected to come up to the earlier projection of 97 bushels of corn per acre.

Even with the smaller crop now envisioned, corn supplies in 1974/75 would be ½-billion bushels larger than the 6.35 billion of 1973/74. And stocks as of Oct. 1, 1975, would be much higher at around 850 million bushels.

Wheat

Adverse weather cut winter wheat output an estimated 5%, to 1.53 billion bushels. Up north, spring wheat planting was delayed by rain, lowering prospects for this crop a little. Wheat production could come out at 2.07 billion bushels, and wheat supplies at 2.29 billion, up 140 million bushels from 1973/74 supplies. In light of slightly smaller exports, wheat stocks could rebuild to over 400 million bushels next year.

Soybeans and Cotton

Soybean planting lagged well behind normal during May and June. Yields are not expected to come up to earlier hopes of 28½ bushels per acre. Yet soybean acreage has gained ground switched from corn and cotton. The net effect could be a crop of 1.53 billion bushels, 3 percent smaller than last year.

Considering a larger carryover, total 1974/75 soybean supplies could be up to 1.7 billion bushels, a little more than this season. Use of these supplies may be on a par with this season's level.

Adverse weather has reduced upland cotton prospects for 1974. It's been dry on the High Plains of Texas and wet in the northern Delta. Plantings are down from initial indications and abandonment is up. But acreage could still turn out above the 12.4 million acres of last year.

With estimated beginning stocks of 3½ million bales for August 1, 1974, supplies next season will probably be down from the current level of 16.9 million bales.

CALENDAR

July/August Release Dates
Economic Research Service
Statistical Reporting Service*

Crop Production	July 11
Ag. Supply & Demand	12
Farm Real Estate Situation	16
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Agricultural Outlook Digest is published by the Economic Research Service, U.S. Department of Agriculture.

CORRECTION: Last month's issue, AOD-199, was approved by the Outlook and Situation Board on May 24, not April 24, as shown on the masthead.

Livestock Ledgers:

REMOVING THE RED INK

In the middle of June, the livestock sector faced a grim situation. Markets were flooded with heavy cattle and hogs and warehouses bulged with storage stocks of meat, poultry, and cheese. Live cattle prices were in the dumps, at about $35 per cwt. and barrows and gilts were going for about $25. Retail meat prices, although down from winter, did not reflect the full drop in live animal prices. Cattlemen selling feeder stock at depressed prices and cattle feeders selling slaughter cattle at a loss watched the red ink spread across their ledgers.

The industry wondered glumly what would remove that red ink and make livestock production profitable again.

Some immediate measures came out of a June 17 parley between Secretary Butz and industry officials. USDA, just wrapping up a $45 million beef shopping expedition begun in April, announced plans to purchase up to $100 million worth of beef and pork beginning July 1. All the meat will go to school lunches. Supermarkets were urged to special meat and consumers to buy it. Some livestock men acted, too. They briefly held animals off the market. Receipts of cattle and hogs at Midwestern terminals fell during the week of June 17-21.

Livestock prices posted gains during the second half of June. Cash prices at Omaha moved back up to $38 for cattle and over $30 for hogs.

Fewer Fed Cattle

In Congress a measure to back loans to livestock and poultry producers with Federal insurance was under consideration. Money for continuing cattle feeding operations has gotten scarce, and custom feedlots have been especially hard hit.

The May 7-State Cattle on Feed Report showed new placements on feed 40% under a year before. It was the fourteenth month running that placements on feed were found to be less than a year earlier. Fed cattle marketings this year are even lower than last year, when chaotic economic conditions reduced livestock output.

Yet, first half beef output has been about 6% to larger than a year earlier. The added beef has come from heavier slaughter weights and increased slaughter of non-fed steers, heifers, and cows—a component of our beef production that until lately had been declining year after year. Deteriorating range conditions in the Southwest plus continuing low feeder cattle prices make it likely that more beef will continue coming from these sources in the months ahead.

CATTLE PRICE OUTLOOK

A boost in cattle prices is expected this summer as slaughter drops some from high spring levels. Later this summer, Choice steers at Omaha could get into the mid-$40's. The decline in slaughter this summer in part will be due to the heavy marketings and reduced placement levels that are going on now. Higher prices this summer may remove part of the red ink from feedlot operator's printouts.

This fall, cattle feeding may turn a profit again. Fed cattle prices will drop from summer as slaughter increases. But the finished cattle will be those bought this spring and summer at lower prices. Feed prices also may decline later this year.

While cattle feeders face brighter second-half prospects, cow-calf operatoes do not. Feeder cattle prices are depressed into the $30-$35 range, because feedlots operators are reluctant bidders when faced with sharply higher feed prices.

Feeder cattle prices are forecast to stay under pressure, although they would tend to follow any rise in fed cattle prices. There are just too many young cattle on hand during a time of declining feedlot placements. The total U.S. cattle herd has been building over the last decade or so, and especially over the last 3 years. Now it's so big that we have the potential to expand cattle and calf slaughter 10% a year for the next 3 years and still not eliminate our ability to keep expanding U.S. cattle numbers. Despite some liquidation of cows during the current year, the 1974 calf crop will be the largest in history.

HOG PRICE OUTLOOK

The outlook for hogs matches cattle: Prices up during summer and down during the fall, with the profit picture improving later in the year.

Profits were not part of June's picture. With Omaha hog prices at $29 per cwt. and Omaha corn at $2.69 per bushel, the hog-corn price ratio was a poor 10.8. Feeder pigs plummeted to $12 (45-50 lbs.) in late June. Even buying this low, producers would need to sell hogs near $30 per cwt. to break even, considering current corn prices.

On June 1 there were only slightly more market hogs on farms than a year earlier weighing over 60 lbs. These animals should provide the bulk of summer slaughter. However, given normal marketing patterns this summer in contrast to last summer, hog slaughter could be up 10-15%.

Even so, summer slaughter will be down seasonally from the unusually heavy spring pace, with prices advancing into the mid-$30's by July and August. Slaughter weights are also likely to be down from spring, when they averaged 5 pounds more than a year earlier. This will further tighten pork supplies.

Fall slaughter will be up seasonally from summer, and a little higher than last fall. With fall supplies forecast 10% larger than summer, prices may be around $30 for the remainder of 1974.

Next year's outlook rides on how much returns improve during the second half. Right now, producers are reporting intentions of cutting sow farrowings during June-November by 2%, trimming first-half 1975 hog slaughter. If hog prices pick up as expected and cheaper feed grains appear on the fall horizon, second-half 1975 pork production may not suffer from further cutbacks.

POULTRY OUTPUT CURTAILED

Poultry producers are in a cutback phase in response to falling prices, large stocks of poultry products, and heavy output of red meats. They may get a break on feed costs later this year but are concerned about inflation in their production costs generally. And despite the anticipated reduced production during the second half, price improvement will be severely hampered by the abundance of other protein foods.

Egg production has not made it back up to the reduced levels of last year. And the way things are going, it may continue subpar through the year.

The size of the laying flock during January-May averaged the lowest on record. The increased hatch of egg-type chicks during the last half of 1973 did not enlarge the flock as expected. At the same time, though, rate of lay is up to record levels because of an exceptionally young flock.

Egg-type chick hatchings were down during the first half, leaving fewer layer replacements than last year for the second half. Actual egg production thus will depend on how much producers opt to cull or force molt.

Prices for all eggs sold by farmers averaged 42 cents per dozen in May, down 8 cents from April and 3½ cents below last May. Second quarter prices averaged well below last spring and prices during the second half will do the same, although they will be strengthening seasonally.

Broilers

Broiler production started the year expanding. But prices have been below production and processing costs much of the time. This has caused accelerated marketings, a sell-off of layers from hatchery supply flocks, and curtailed plans for second-half placements and production.

Broiler meat output ran 7½ over a year earlier through April. But during summer, it may only match last summer's level, and may be down for fall. Broiler prices are likely to show small seasonal increases into the summer and then decline as usual in the fall. But any summer price increase will be limited.

Turkeys

Large poult hatchings, which jumped in response to last year's high turkey prices, are keeping production up at an unprofitable time. Turkey meat output through this April was up almost 40% because of both larger slaughter and heavier weights. Production is going to be moderately higher than last summer in the months ahead. But by the end of 1974 it should be running below 1973 levels.

Even though output may trend down, larger cold storage turkey stocks will keep fall supplies larger than last year. Wholesale prices have been down sharply this year. Turkey prices are likely to show some seasonal increase during the main marketing months of September-December. But, as with other poultry products, any gains may be modest.

For factual information about important food and farming topics, check this spot each month. It highlights recent reports on the issues, chosen for brevity and clarity. To get a copy of the report, clip and send to address indicated with your name, address, and zipcode.

The One-Man Farm, ERS-519, 12 pp. It's popular to equate bigness with efficiency. But this discussion argues that a large outfit can operate no more efficiently than one man and his complement of machines. Spells out most efficient sizes for several types of one-man farm.

Send me the One-Man Farm.

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Clip and send to:
Farm, Economic Research Service, rm. 482-GHI, U.S. Dept. Agri., Washington, D.C. 20250.

Production and Prices of Meats and Poultry

	1973				1974		
	I	II	III	IV	I	II[1]	III[1]
Eggs, Output, mil. cases	46.4	46.9	45.2	46.3	46.0	(46.3)	(44.7)
[2] Prices New York, cents/doz.	50.1	51.9	69.7	67.3	67.5	(46.0)	(51-53)
Broilers[3]							
Output, mil. lbs.	1850	1986	1987	1963	1956 ,	(2100)	(1980)
Price, 9-city, cents/lb.	37.1	42.3	52.6	36.9	39.3	(36.0)	(37-39)
Turkey[3]							
Output, mil. lbs. 157	157	283	632	717	216	(368)	(695)
Price, New York, cents/lb.	45.7	55.8	73.4	65.2	50.2	(39.5)	(38-40)
Beef[4]							
Output, mil. lbs.	5394	5041	4992	5649	5429	(5604)	(5440)
Price, Choice Steers at Omaha, $/cwt.	43.37	46.00	49.04	40.20	45.40	(40.00)	(43-45)
Pork[4]							
Output, mil. lbs.	3261	3178	2792	3349	3370	(3553)	(3127)
Prices, barrows, gilts at 7 markets, $/cwt.	35.62	36.67	49.04	40.96	38.40	(28.00)	(32-34)

[1] Forecast. [2] Wholesale, Grade A large. [3] Federally inspected slaughter, ready-to-cook weight. [4] Commercial production.

The price of farmland rose further in the past year than ever before. Surveys taken in March 1973 and March 1974 showed the average value per acre of land sold for farming purposes up fully one-fourth, to $310.

Reasons for this leap are fairly plain. Farm prices and farm income last year were by far the best ever; farm export demand had been sharply increasing. Spiraling prices doubled or tripled the potential value per acre of many crops. And planting restrictions were lifted.

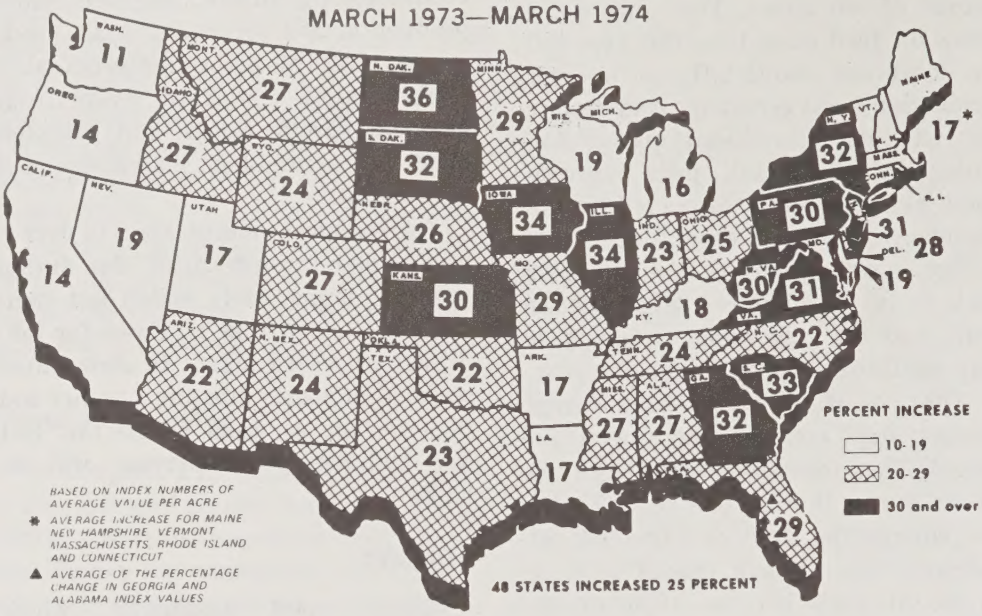
Land prices increased everywhere. The smallest rise was 11% in Washington, the greatest 36% in North Dakota. Since the general rise follows a stretch of increasing prices, farmland values today are 87% higher than in 1967, base year of this series.

With rising costs and uncertain prices, farming prospects are not up to what they were last year. For this reason, look for a further but slower rise in prices this year, but perhaps on the order of 15%.

MOUNTING LAND PRICES

Percentage Increase in Average Value of Farm Real Estate Per Acre

MARCH 1973—MARCH 1974



FRUIT PRICES TREND UP

A combination of rising production and processing costs, smaller fresh citrus and processed deciduous fruit supplies, and generally brisk movement is raising fruit prices this summer.

Although the 1973/74 citrus crop was only a little below the prior season's record, remaining citrus supplies are sharply below last season. On-tree returns to growers have averaged above last season for oranges. Returns for grapefruit were down until May, when they advanced sharply to near last season's price.

Prices of oranges and grapefruit are likely to advance seasonally this summer, although grapefruit won't reach the levels of last summer. Lemon prices have averaged higher this season and will be firmed by hot-weather demand.

Citrus processing has been heavier this season. Frozen orange juice concentrate prices have been steady against an increased pack and record large June 1 storage stocks. Prices of other processed citrus items have been slightly to moderately higher than last season.

Noncitrus Fruit

Early harvested crops are coming through in varied shape this season. California crops are in generally good condition; tree vigor of peaches in the Southeast was lowered by a lack of sufficient cold winter weather.

Southeastern early peach production is estimated off by a fourth this season, and prices have been higher. California's freestone output is 12% higher, but prices are up moderately. There are also a fourth more California cling peaches this season, which should result in a boost to canned fruit supplies when the pack is complete.

California's nectarine crop is a tenth higher than last year; plums are forecast up a fifth. Farm prices are averaging a little below last year's high levels. On the other hand the apricot crop, primarily from California, is 40% lower this season, and commanding sharply higher prices.

Bartlett pear and sweet cherry production may be down slightly this season, with less from California but more from the Northwest. Prices may be up somewhat from last season.

Processed Fruit

After a season of excellent sales, canned noncitrus fruit stocks of 13 major items may be down a third from last season's abbreviated level. Because of the low carryout, an estimated 6% larger pack would be needed to keep 1974/75 supplies from falling below this season's level.

Fruit growers have been negotiating for higher prices in light of higher production costs. At the same time, canners are confronted with sharply higher bills for containers, fuel, sugar, and transportation. There is some concern over possible consumer resistance to the higher canned fruit prices.

In contrast to canned fruit, frozen fruit and berry stocks have been running about a third larger than last spring. There are some early indications that supplies of most frozen products will be higher in the coming year because of both larger packs and larger carryins.